

Course Title	Performance Management I				
Course Code	AEF230				
Course Type	Compulsory				
Level	Bachelor (1 <sup>st</sup> Cycle)				
Year / Semester	2 <sup>nd</sup> Year / 4 <sup>th</sup> Semester				
Teacher's Name	TBA				
ECTS	6	Lectures / week	3 Hours / 14 weeks	Laboratories / week	None
Course Purpose and Objectives	The objective of the Performance Management I is to help students to develop knowledge and skills in the application of management accounting techniques. Also, to develop knowledge to utilize quantitative and qualitative information for planning, decision-making, performance evaluation, and control.				
Learning Outcomes	<p>Upon successful completion of this course students should be able to:</p> <ul style="list-style-type: none"> <li>• Develop the technical, analytical and evaluative skills required in the field of management accounting.</li> <li>• Demonstrate an understanding of different costing approaches and be able to discuss which system would be most appropriate for an organization</li> <li>• Apply a range of specialist cost and management accounting techniques, including target costing, life-cycle costing, back-flush accounting and throughput accounting</li> <li>• Evaluate business choices and promote efficient and effective use of scarce business resources with the use of Cost Volume Profit Relationship and Relevant Costing</li> <li>• Evaluate and apply of different pricing strategies</li> <li>• Select and apply appropriate techniques to solve multiple scarce resource problems</li> </ul>				
Prerequisites	AEF210	Co-requisites	None		
Course Content	<p>1. Activity based costing</p> <p>Identify appropriate cost drivers under ABC. Calculate costs per driver and per unit using ABC. Compare ABC and traditional methods of overhead absorption based on production units, labour hours or machine hours. Explain the implications of switching to ABC for pricing, sales strategy, performance management and decision-making</p>				

## 2. Target costing

Derive a target cost in manufacturing and service industries. Explain the difficulties of using target costing in service industries. Explain the implications of using target costing on pricing, cost control and performance management. Suggest how a target cost gap might be closed.

## 3. Life-Cycle costing

Identify the cost at different stage of life cycle. Derive a life cycle cost in manufacturing industry. Identify the benefits of life cycle costs.

## 4. Throughput Accounting

Calculate and interpret a throughput accounting ratio (TPAR). Suggest how a TPAR could be improved. Apply throughput accounting to a multi-product decision-making problem.

## 5. Environmental accounting

Discuss the issues business face in the management of environmental costs. Describe the different methods a business may use to account for its environmental costs.

## 6. Cost Volume Profit analysis

Calculate the contribution to sales ratio and target profit or revenue in single and multi-product situations and demonstrate an understating of its use. Prepare Break-even charts and profit and volume charts and interpret information contained within each, including multi-product situations. Discuss the limitations of CVP analysis for planning and decision making

## 7. Limiting Factor

Identify limiting factors in scarce resource situation and select an appropriate technique. Determine the optimal production plan where organization is restricted by a single limiting factor. Formulate and solve multiple scarce resource problem both graphically and using simultaneous equations. Explain and calculate shadow prices and discuss their implications on decision-making and performance management

## 8. Pricing decisions

Explain the factors that influence the pricing of a product or service. Explain the price elasticity of demand. Derive and manipulate a straight-line demand equation. Derive an equation for the total cost function (including volume-based discounts). Evaluate a decision to increase production and sales levels, considering incremental costs,

incremental revenues and other factors. Explain different price strategies, including:

- a. All forms of cost-plus
- b. Skimming
- c. Penetration
- d. Complementary product
- e. Product-line
- f. Volume discounting
- g. Discrimination
- h. Relevant cost
- i. Calculate a price from a given strategy using cost-plus and relevant cost

#### 9. Make-or-buy and other short-term decisions

Explain the issues surrounding make vs. buy and outsourcing decisions. Calculate and compare “make” costs with “buy-in” costs. Compare in-house costs and outsource costs of completing tasks and consider other issues surrounding this decision. Apply relevant costing principles in situations involving shut down, one-off contracts and the further processing of joint products

#### 10. Dealing with risk and uncertainty in decision- making

Suggest research techniques to reduce uncertainty e.g. Focus groups, market research. Explain the use of simulation, expected values and sensitivity. Apply expected values and sensitivity to decision-making problems. Apply the techniques of maximax, maximin, and minimax regret to decision-making problems including the production of profit tables.

#### 11. Objectives of Budgetary Control

Outline the objectives of budgetary control system. Explain how corporate and divisional objectives may differ and can be reconciled. Identify and resolve conflicting objectives and explain implications. Explain how budgetary systems fit within the performance hierarchy. Identify the factors which influence behaviour. Discuss the issues surrounding setting the difficult level for a budget. Explain the benefits and difficulties of the participation of employees in the negotiation of targets.

Teaching Methodology	Face to Face		
Bibliography	<p>BPP Notes for F5-ACCA, Latest Edition.</p> <p>Robert S Kaplan – “Advanced Management Accounting” – published by Prentice Hall, Latest edition</p> <p>Colin Drury – Management and Cost Accounting” - published by Thomson Learning- latest edition</p> <p>Atrill, P &amp; McLaney, E. (latest edition) Management Accounting for Decision Makers Financial Times, Prentice Hall.</p> <p>Drury, C. (latest edition) Cost and Management Accounting, Thomson.</p> <p>Hunt, C., Fowler, C. and Drennan, L. Management Accounting: Strategic Decision Making, Performance and Risk, Pearson Education. Latest Edition.</p> <p>Merchant, K., and Van der Stede, W. Management Control Systems: Performance Measurement, Evaluation and Incentives. Financial Times (Prentice Hall). Latest Edition.</p> <p>Datar, Srikant M., and Madhav Rajan. <a href="#">Horngren's Cost Accounting: A Managerial Emphasis</a>. Pearson Education. Latest Edition.</p> <p>Langfield-Smith, K., Thorne, H., Smith, D. and Hilton, R.W. <i>Management Accounting: Information for Creating and Managing Value</i>, McGraw Hill Education. Latest Edition.</p> <p><b>Relevant teaching material from the following organizations:</b></p> <p>ACCA - <a href="http://www.accaglobal.com/students">http://www.accaglobal.com/students</a></p> <p>BPP - <a href="http://www.bpp.com/acca/papers/f5/">http://www.bpp.com/acca/papers/f5/</a></p> <p><a href="http://financial.kaplan.co.uk/TrainingandQuals/Accountancy/ACCA/Pages/default.aspx">http://financial.kaplan.co.uk/TrainingandQuals/Accountancy/ACCA/Pages/default.aspx</a></p>		
Assessment	Examinations	80%	
	Class Participation and Attendance	10%	
	Assignments	10%	
		100%	
Language	English		